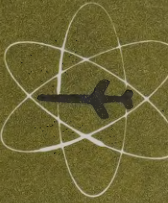


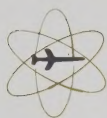
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MAGNA ELECTRONICS CORPORATION LIMITED



ANNUAL REPORT 1969



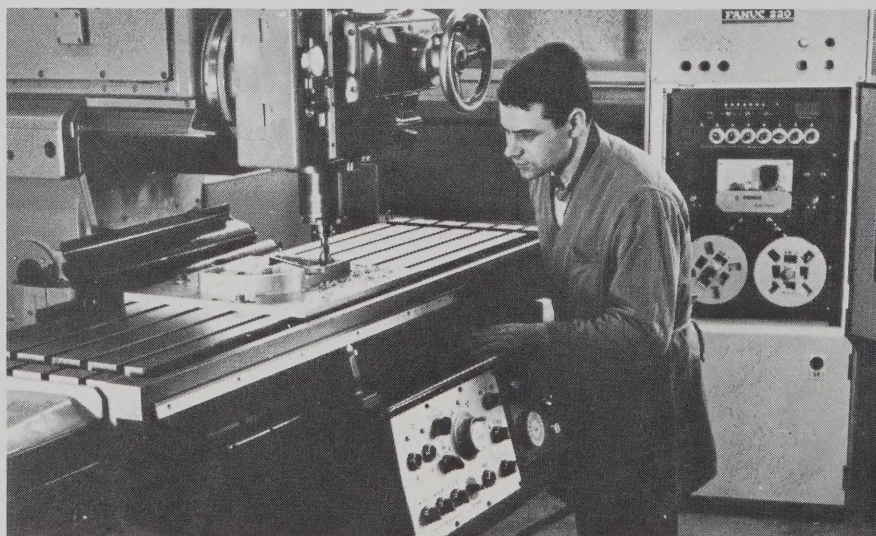
MAGNA ELECTRONICS CORPORATION LIMITED

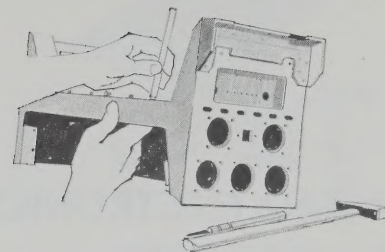
HIGHLIGHTS

	For 11 months ended July 31, 1969	For 12 months ended August 31, 1968
SALES	\$6,845,656	\$4,015,584
Earnings before depreciation, cost of long term debt, income taxes and minority interest	\$1,155,795	\$ 650,666
Depreciation	\$ 327,682	\$ 234,174
Cost of long term debt	131,315	116,798
Income taxes	357,949	146,300
Minority interest	81,496	
	\$ 898,442	\$ 497,272
Net earnings for the year	\$ 257,353	\$ 153,394
Shares outstanding — common	485,000	353,000
— preference	1,924	2,145
Earnings per share:*		
— before preference dividends	59.0¢	43.5¢
— after preference dividends	56.7¢	39.6¢
Dividends paid:		
— common	10¢	10¢
— preference	\$6.50	\$6.50
Working capital	\$1,454,459	\$2,022,560

* Calculated on the average number of common shares outstanding during the period.

The cover drawing represents this numerically-controlled, Makino HAX15 milling machine — one of the modern tools of production in operation at the company's plants.





Directors:

Walter M. Bowen
James B. Cronyn
John O. McCutcheon
Burton Pabst
Donald Resnick
Frank Stronach
Adam H. Zimmerman

Officers:

John O. McCutcheon, CHAIRMAN OF THE BOARD
Burton Pabst, PRESIDENT
Frank Stronach, VICE-PRESIDENT
Walter M. Bowen, SECRETARY
Murray Kingsburgh, TREASURER

Auditors:

Clarkson, Gordon & Co., Toronto

Solicitors:

Blaney, Pasternak, Smela, Eagleson & Watson, Toronto

Fiscal Agents:

Cochran, Murray & Co. Limited, Toronto, Montreal, Hamilton, Kitchener,
London

Registrars and Transfer Agents:

The Canada Trust Company, Toronto

Bankers:

Royal Bank of Canada, Toronto
Bank of Nova Scotia, Toronto

Head Office:

1480 Birchmount Road, Scarborough, Ontario

MAGNA ELECTRONICS CORPORATION LIMITED

and its subsidiary companies

To the shareholders:

Growth and internal consolidation marked your company's activities in the fiscal period ended July 31, 1969.

Due to a change of the fiscal-year end from August 31 to July 31, the financial statements in this report reflect results of only eleven months of operations.

Notwithstanding the shorter reporting period, sales and profits in 1969 show a substantial gain over the 12 months' results of the preceding year. Sales for the 11 months ended July 31, 1969 were \$6,845,656 compared to \$4,015,584 for 12 months in 1968. Net profit rose to \$257,353 as against \$153,394 for a full fiscal year in 1968.

Earnings per common share before preference dividends were 59¢ (43.5¢ in 1968) and per share net profit, after preference dividends, rose from 39.6¢ in 1968 to 56.7¢ for the 11 months ended July 31, 1969.

The favorable trend continues in the current fiscal year. Unaudited results for the first quarter ended October 31, 1969 show sales of \$2,642,570 compared to \$1,018,412 for last year's first quarter ended November 30, 1968. Net profit after taxes was \$102,336 compared to \$28,147 for the 1968 first quarter.

Per share earnings before preference dividends were 20.7¢ for the current quarter and 8¢ last year. Net earnings for the three months, after preference dividends, were 20.1¢ per common share as against 6.9¢ last year.

PRODUCTION

The *Automotive Group*, which produces interior and exterior trim parts for U.S. and Canadian automobile manufacturers, has become Magna's major income producer. Sales of the *Multimatic group* of companies were \$3.7 million in the year preceding their acquisition by Magna; they increased to \$5 million during the year under review and are expected to approach \$6 million in the year ending July 31, 1970, despite some current cutbacks.

The *Automotive Group* consists of four plants of moderate size, each endowed with substantial production autonomy and directed by its own general manager. Marketing and financial control are centralized. In three of the plants the general managers hold a one-third minority interest, limited in each case to profits of the operation directed by

him. The fourth minority interest was purchased by your company in May, 1969, for \$100,000 cash and 7,000 common shares.

Growth in sales has been achieved without affecting profit margins. An established reputation for quality and a strong marketing organization have enabled your company to increase its share of the North American original automotive parts market through widening the range of products manufactured.

The *Automotive Group* is developing other complete after-market products such as the "Spoiler", an air foil wing which can be fastened to the trunk of a sports car in the manner of the Chaparral. The "Spoiler" is presently being marketed in the United States and in Canada.

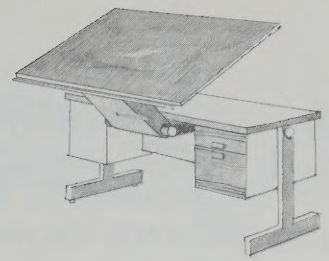
The *Electronics Division*, once the major source of the company's profits, is again very active after a period of low work volume and reduced profit margins. These were due to the general slow-down and stretchout which resulted from the diversion of U.S. defence and NASA funds into conventional armament and soldiers' pay in Vietnam.

As a result of sustained and widespread marketing efforts aimed at obtaining a fair share of new U.S. avionics business and at getting into commercial work requiring a sophisticated technology, several new orders have recently been received. The plant has already reached 75% of its productive capacity and management has been strengthened to meet the new estimating and control situations which have developed.

Your directors are confident that the *Electronics Division* will again be profitable in the current fiscal year.

The *Verral Division*, which is a metal and sheet metal fabricator, is operating profitably on a steadily expanding volume of commercial and defense sales. Substantial recent orders, particularly for antenna systems, have made it necessary to provide more room and additional machinery for this division. Some 15,000 sq. ft. of floor space have been leased recently at Bellamy Road, to accommodate the fabrication of antennae.

New contracts for the *Electronics* and *Verral Divisions* are expected to add more than \$2 million to overall sales of your company during the next three years.



The *Magna-Cote Division*, with its highly-specialized technology, offers the capability of adding polyimide coatings to a wide variety of containers. A line to add hard teflon coatings to cookware was installed in July this year. The operation has passed the break-even point and expanding sales should enable Magna-Cote to contribute in a modest way to your company's earnings in the current year.

The *Progressive Anodizers Division* has been integrated into Magna's automotive group for management and control. A new anodizing facility has recently been added to it, at a cost of approximately \$120,000 to service mainly the automotive group.

ACQUISITIONS

On August 1st, 1969, your company acquired a 49% interest in *Digital Systems Associates Limited*, (DSA), an Ottawa-based private company specializing in the design and fabrication of total systems for scientific and industrial applications, based on the use of mini-computers. The purchase price paid out of Magna's treasury was \$23,100 in cash and 10,000 escrowed common shares. In return for capital advances in the form of interest-bearing loans and/or bank guarantees, your company was granted an option to acquire the remaining 51% of DSA's capital stock for Magna's common shares. The number of shares to be issued for this purpose will be calculated on a formula related to DSA's future earnings.

Subsequent to the original option agreement with DSA your company's obligations were limited, by mutual consent, to \$125,000 in working capital advances and to \$150,000 for the purchase or lease of fixed assets.

DSA is evolving a line of standard systems based on the mini-computer and several products which it hopes to market throughout Canada and the United States. These products may eventually generate work for Magna's Electronics Division, allowing further integration.

A small DEC time sharing TSS 8 computer has been installed at DSA's premises in Ottawa. It is currently working on a trial basis on educational and scientific programs and its eventual purchase is under study.

As to *Seeburn Metal Products Limited*, in view of certain restrictive commitments on the part of Seeburn's management, your company decided not to proceed with the intended purchase of its capital

stock. Accordingly, the tentative agreement between the parties was terminated.

MANAGEMENT

I am pleased to report that your company's management has been substantially strengthened by the appointment of Mr. J. O. McCutcheon as chairman of the board of directors and by personnel changes at the middle management level. These included the appointment of a controller, a new manager for the Electronics Division and a highly qualified chief engineer.

In hiring a chief engineer and establishing a Design Department, your company took a significant step towards a new capability of obtaining direct development contracts from the Federal Government. Two such proposals have been submitted this year. This type of work, when obtained, will broaden the base of operations of the Electronics Division and allow for fuller use of its highly specialized and sophisticated equipment.

Under the guidance of an active board of directors, Magna Electronics Corporation has become a diversified and expanding organization.

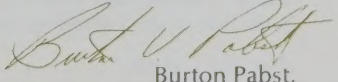
Your management is optimistic about the long-term future of the company and about the current fiscal year. We are greatly encouraged by the fact that, despite heavy anti-inflationary pressures on industry and government agencies in Canada and the U.S., we have been able to secure substantial new orders for your company's Electronic and Verral Divisions.

The outlook for the Automotive Group is for further growth, particularly through a continuous broadening of our product range.

We take this opportunity of thanking all our employees for their loyalty and their hard work, which have contributed much to the company's success.

I also wish to extend to all our shareholders, suppliers, customers and staff my best wishes for a prosperous New Year.

On behalf of the Board,


Burton Pabst,
President.

December 31, 1969

MAGNA ELECTRONICS CORPORATION LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary companies

CONSOLIDATED BALANCE SHEET July 31, 1969

(with comparative figures at August 31, 1968)

ASSETS

CURRENT ASSETS:

	1969	1968
Cash and short term deposits	\$ 629,716	\$1,205,541
Accounts receivable	1,227,397	626,183
Inventories, valued at the lower of cost or net realizable value	1,290,739	468,474
Prepaid expenses	82,741	91,787
Total current assets	3,230,593	2,391,985

INVESTMENTS, AT COST:

Advance to Digital Systems Associates Limited	75,000	
Mortgage receivable, due May 9, 1987	131,000	132,500
	206,000	132,500

FIXED ASSETS, AT COST:

Land	143,990	67,988
Buildings	794,733	526,122
Machinery and equipment	3,381,724	2,057,796
	4,320,447	2,651,096
Less accumulated depreciation	1,466,625	940,843
	2,853,822	1,711,063

OTHER ASSETS:

Excess of purchase price of interests in subsidiary companies over fair value of underlying net tangible assets	1,628,750	170,184
Debenture issue expense, at amortized cost	79,876	83,869
Sinking fund for redemption of preference shares		13,051
	1,708,626	267,104
	\$7,999,041	\$4,502,652

AUDITORS' REPORT

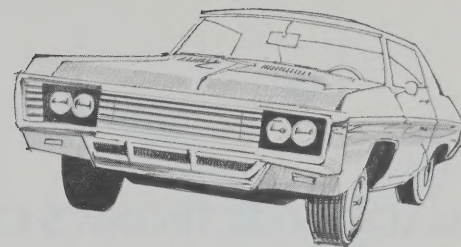
To the Shareholders of
Magna Electronics Corporation Limited:

We have examined the consolidated balance sheet of Magna Electronics Corporation Limited and its subsidiaries as at July 31, 1969 and the consolidated statements of profit and loss and earned surplus and source and application of funds for the eleven months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated financial statements present fairly the financial position of the companies as at July 31, 1969 and the results of their operations and the source and application of their funds for the eleven months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
December 5, 1969.

CLARKSON, GORDON & CO.
Chartered Accountants



LIABILITIES

CURRENT LIABILITIES: :

	1969	1968
Bank loan		\$ 67,000
Accounts payable and accrued charges	\$1,191,629	201,308
Income taxes payable	374,300	9,177
Long term debt due within one year	210,205	91,940
Total current liabilities	1,776,134	369,425

DEFERRED INCOME TAXES	291,400	233,000
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LONG TERM DEBT (NOTE 2):

6½% sinking fund debentures due December 1, 1987	2,000,000	2,000,000
Capital assistance grants	240,524	294,701
Mortgages payable (secured by land and buildings of subsidiary companies)	176,589	
Notes payable (secured by certain machinery and equipment)	87,150	
7% Industrial Development Bank loan due August 23, 1972	43,000	73,000
	2,547,218	2,367,701
Less amounts due within one year included with current liabilities	210,205	91,940
	2,337,013	2,275,761

MINORITY INTEREST IN SUBSIDIARY COMPANIES	161,219	
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SHAREHOLDERS' EQUITY (NOTES 3 AND 4):

Capital —		
Authorized:		
9,424 6½% cumulative sinking fund preference shares with a par value of \$100 each, redeemable at \$105		
1,000,000 common shares without par value		
Issued:		
1,924 preference shares	192,400	214,500
485,000 common shares	1,992,505	377,505
Contributed surplus (note 3)	7,346	6,708
Earned surplus	1,241,024	1,025,753
	3,433,275	1,624,466
	\$7,999,041	\$4,502,652

On behalf of the Board:

BURTON PABST

Director

DONALD RESNICK

Director

(See attached Notes)

MAGNA ELECTRONICS CORPORATION LIMITED

and its subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 1969

1. CHANGE OF FISCAL YEAR

Commencing September 1, 1968 the company's fiscal year end has been changed from August 31 to July 31.

2. LONG TERM DEBT

(a) The 6½% subordinated, sinking fund debentures, maturing \$75,000 annually with the balance due in 1987, are convertible into common shares at the holders' option on or before December 1, 1977 at the rate of 55.8755 common shares for each \$1,000 debenture. After acquiring the interest in Digital Systems Associates Limited as referred to in note 5, the conversion rate will change to 56.0589 common shares for each \$1,000 debenture.

(b) In prior years, the company received capital assistance grants from the Government of Canada which require repayment of one half of the grants without interest, in equal amounts over five years. The machinery and equipment acquired as a result of these grants have been recorded in the accounts of the company at 50% of their cost and a liability to the Government of Canada equal to 50% of the grants received has been recorded as long term debt. The company will not acquire title to these assets until one half of the grants have been repaid to the Government of Canada.

3. PREFERENCE SHARES

(a) During the period the company redeemed 221 preference shares at a price of \$21,462. The discount of \$638 realized on redemption has been included with contributed surplus.

(b) Under the conditions attaching to the preference shares the company is required to establish a sinking fund on or before January 1 of each year for the redemption of preference shares of an amount equal to the greater of —

- (i) 3% of the consolidated net profit for the preceding fiscal period after deducting dividends on preference shares, or,
- (ii) 2% of the par value of the issued and outstanding preference shares at the end of the preceding fiscal period.

4. COMMON SHARES

(a) During the period the company issued 132,000 common shares as follows:

- (i) The acquisition of all the issued capital stock of Multimatic Investments Limited for \$800,000 in cash and the issue of 100,000 common shares of the company;
- (ii) The acquisition of the minority interest in a subsidiary company for \$100,000 in cash and 7,000 common shares of the company;
- (iii) The issue of 25,000 common shares for \$315,000 cash.

(b) At July 31, 1969 a total of 142,118 authorized and unissued common shares are reserved for the following:

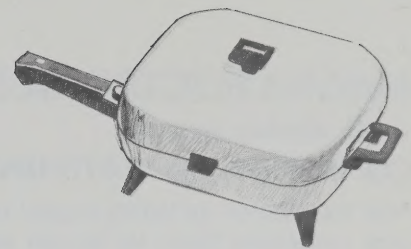
- (i) The conversion of 6½% sinking fund debentures into 112,118 common shares.
- (ii) Stock options granted subsequent to the year-end to an employee in respect of 1,500 common shares at \$7.43 per share exercisable at the rate of 300 shares per annum.
- (iii) The issue of 18,500 common shares which are reserved for further options to employees.
- (iv) The issue of 10,000 common shares as part of the proposed consideration for the acquisition of an interest in Digital Systems Associates Limited referred to in note 5.

5. SUBSEQUENT EVENT

On August 1, 1969 the company issued 10,000 common shares valued by the board of directors at \$15 per share to acquire a 49% interest in the outstanding common shares of Digital Systems Associates Limited. Under the purchase agreement and subsequent amendments thereto, the company has agreed to advance a total of \$125,000 to Digital (including the \$75,000 shown as an advance on the accompanying balance sheet) prior to July 1, 1970. In addition, the company is committed to guarantee or advance funds to a total of \$150,000 to enable Digital to purchase, or enter into a lease commitment for fixed assets.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year remuneration paid to directors and senior officers of the company totalled \$148,083.



CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE ELEVEN MONTHS ENDED JULY 31, 1969

(with comparative figures for the year ended August 31, 1968)

	Eleven months ended July 31, 1969	Year ended August 31, 1968
SALES	\$6,845,656	\$4,015,584
Profit before deducting depreciation, interest on long term debt and income taxes (including investment income of \$54,038 in 1969 and \$72,385 in 1968)	\$1,155,795	\$ 650,666
DEDUCT:		
Depreciation	327,682	234,174
Interest on long term debt (including amortization of debenture issue expense)	131,315	116,798
	458,997	350,972
Profit before income taxes and minority interest	696,798	299,694
Income taxes	357,949	146,300
	338,849	153,394
Less minority interest	81,496	
Net profit for the period	257,353	153,394
Earned surplus, beginning of period	1,025,753	963,618
	1,283,106	1,117,012
DEDUCT:		
Dividends —		
Preference shares	9,982	13,821
Common shares	32,100	35,153
Premium and unamortized issue expense on bonds and debentures redeemed		42,285
	42,082	91,259
EARNED SURPLUS END OF PERIOD	\$1,241,024	\$1,025,753

(See attached Notes)

MAGNA ELECTRONICS CORPORATION LIMITED

and its subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE ELEVEN MONTHS ENDED JULY 31, 1969

(with comparative figures for the year ended August 31, 1968)

	Eleven months ended July 31, 1969	Year ended August 31, 1968
SOURCE OF FUNDS:		
Net profit for the period	\$ 257,353	\$ 153,394
Non cash charges (credits) deducted or (added) in arriving at net profit for the period —		
Depreciation	327,682	234,174
Deferred income taxes	(44,950)	29,000
Amortization of debenture issue expense	3,993	3,597
Funds derived from operations	544,078	420,165
Minority interest in subsidiary companies (net)	54,857	
Sinking fund for redemption of preference shares	13,051	(13,051)
Proceeds from issue of common shares for cash	315,000	
Proceeds from issue of 6½% convertible debentures		1,912,863
Capital assistance loans		214,776
Mortgage payments received	1,500	2,000
	<u>928,486</u>	<u>2,536,753</u>
APPLICATION OF FUNDS:		
Cost of acquisition of interests in subsidiaries	2,170,427	60,000
Less value of common shares issued therefor	(1,300,000)	(60,000)
	<u>870,427</u>	
Advance to Digital Systems Associates Limited	75,000	
Additions to fixed assets (net)	478,958	723,360
Decrease in long term debt — non current portion	191,418	642,223
Dividends	42,082	48,974
Redemption of preference shares	21,462	4,224
	<u>1,679,347</u>	<u>1,418,781</u>
INCREASE (DECREASE)	(750,861)	1,117,972
WORKING CAPITAL, BEGINNING OF PERIOD	2,022,560	1,003,013
WORKING CAPITAL (DEFICIT) OF SUBSIDIARIES AT DATES OF ACQUISITION	182,760	(98,425)
WORKING CAPITAL, END OF PERIOD	<u>\$1,454,459</u>	<u>\$2,022,560</u>

(See attached Notes)

Clients

American Motors Limited, Detroit, Michigan
Atomic Energy of Canada, Toronto, Ontario
Automatic Electric Co. Ltd., Brockville, Ontario
Avco Lycoming Division, Stratford, Conn.
Bayly Engineering Limited, Ajax, Ontario
Bell Aerosystems, Cleveland, Ohio
Bowmar (Canada) Limited, Ottawa, Ontario
Canadair Limited, Montreal, Quebec
Canadian Arsenals Limited, Ottawa, Ontario
Canadian Aviation Electronics Limited, Montreal, Quebec
Canadian General Electric Co. Limited, Toronto, Ontario
Canadian Marconi Limited, Montreal, Quebec
Canadian Westinghouse Co. Limited, Hamilton, Ontario
Chrysler Canada Ltd., Windsor, Ontario
Chrysler Corporation, Detroit, Michigan
Clary Corporation, San Gabriel, California
Clevite Corporation, Cleveland, Ohio
Collins Radio Company of Canada Limited, Toronto, Ontario
Computing Devices of Canada Limited, Ottawa, Ontario
DeHavilland Aircraft of Canada Limited, Toronto, Ontario
Douglas Aircraft of Canada, Malton, Ontario
Duluth Avionics, Duluth, Minn.
Ford Motor Company, Detroit, Michigan
Frigidaire Products of Canada Ltd., Scarborough, Ontario
Garrett Manufacturing Limited, Toronto, Ontario
General Electric Co., Materials Centre, Winooski, Vermont
General Electric Co., ReEntry Systems Dept., Philadelphia, Pa.
General Electric Company, Utica, New York

General Motors Canada Ltd., Oshawa, Ontario
Government of Canada:
Canadian Commercial Corp., Ottawa, Ontario
Department of Defense Production, Ottawa, Ontario
Hamilton Standard, Windsor Locks, Conn.
Honeywell Controls Limited, Toronto, Ontario
Honeywell Inc., St. Petersburg, Florida
International Business Machines Co. Ltd., Don Mills, Ontario
ITT Gillifillan Incorporated, Los Angeles, California
Leigh Instruments, Ottawa, Ontario
Litton Systems (Canada) Limited, Toronto, Ontario
Litton Systems Incorporated, Los Angeles, California
Lucas-Rotax Limited, Montreal, Quebec
Lufkin Role, Barrie, Ontario
Montreal Engineering Limited, Montreal, Quebec
Muirhead Instruments Limited, Stratford, Ontario
Norden, Norwalk, Conn.
Norman Wade Co. Limited, Montreal, Quebec
Northern Electric Co. Limited, Brampton & Belleville, Ontario
Northwest Industries, Edmonton, Alberta
Orenda Engines Limited, Toronto, Ontario
Raytheon Company, Lowell, Mass.
Sierra Research Corp., Buffalo, New York
Spar Aerospace Products Ltd., Toronto, Ontario
Sperry Gyroscope Limited, Ottawa, Ontario
Teledyne Systems Co., Northridge, California
United Aircraft of Canada Limited, Longueuil, Quebec
Windsor Machine Co. Limited, Vancouver, B.C.



MAGNA ELECTRONICS CORPORATION LIMITED

DIVISIONS

Magna Electronics,
1480 Birchmount Road, Scarborough, Ontario

Verral Metal Fabricators,
22 Howden Road, Scarborough, Ontario

Progressive Anodizers,
41 Crockford Boulevard, Scarborough, Ontario

Magna-Cote,
45 Crockford Boulevard, Scarborough, Ontario

SUBSIDIARIES

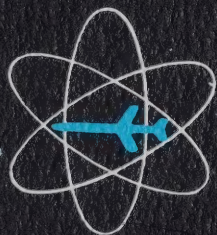
Motor Specialty Mfrs. (Ontario) Limited
1783 Mattawa Road, Cooksville, Ontario

Multimatic Investments Limited,
153 Edystone Avenue, Downsview, Ontario



The Lunar Landing Module "Intrepid" heading towards the surface of the moon. Photograph taken from Apollo 12 Command Module. (NASA photo via AP Wirephoto) 1969.

AR07



MAGNA ELECTRONICS CORPORATION LIMITED

INTERIM REPORT
for the six months
ended February 28, 1969

To the Shareholders

I am pleased to send you results for the first quarter and the first half of the current fiscal year. The acquisition of Multimatic Investments Limited was effective as of December 1, 1968, and hence affects only the second quarter sales and earnings.

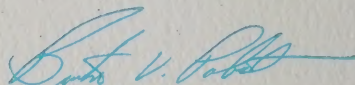
While net profit for the six months ended February 28 is lower than earnings for the comparable period ended in 1968, it should be borne in mind that the profit of the first quarter represents a turn-around from losses reported in the last two quarters of the 1968 fiscal year.

Also, shareholders should note that overall sales are sharply ahead and that profit from operations in first half 1969 is also higher. The lower current net profit figure reflects increased write-offs, higher taxes and interest charges and minority interest.

The company continues to press for additional business and results are encouraging. As an example, we obtained in March an initial order of more than \$500,000 for antenna components from a major Canadian electronics company.

At a meeting of the board of directors, held earlier this month, the regular dividend of 2½¢ per common share was declared for the quarter ended May 30, 1969. It is payable June 1, 1969, to shareholders of record May 15. At the same meeting, a dividend of \$1.62½ was declared on the outstanding preference shares, also payable June 1, to shareholders of record May 15.

On behalf of the board,



Burton V. Pabst, *President*

Toronto, Ontario
April 18, 1969

Statement of Earnings

	<i>3 months ended November 30, 1968</i>	<i>6 months ended February 28, 1969</i>	<i>6 months ended February 29, 1968</i>
Net Sales :	<u>\$1,001,527</u>	<u>\$3,128,678</u>	<u>\$2,167,262</u>
Profit from operations	\$ 132,395	\$ 525,940	\$ 453,490
Less: Depreciation	59,350	151,761	86,800
Interest on long term debt	<u>33,398</u>	<u>66,787</u>	<u>44,483</u>
Net profit before taxes and minority interest	\$ 39,647	\$ 307,392	\$ 322,207
Less: Tax	<u>18,500</u>	<u>153,500</u>	<u>147,000</u>
Net profit before minority interest	\$ 21,147	\$ 153,892	\$ 175,207
Less: Minority interest		<u>44,960</u>	
Net profit	<u>\$ 21,147</u>	<u>\$ 108,932</u>	<u>\$ 175,207</u>
Common shares outstanding	353,000	*403,000	353,000
Net profit per share before preference dividends	<u>6.0c</u>	<u>27.0c</u>	<u>49.6c</u>

*The second quarter reflects the acquisition of Multimatic Investments Limited which involved the issuance of 100,000 common shares from the Company's treasury stock. The six months results are based on the average number of shares outstanding for the period.

MAGNA ELECTRONICS CORPORATION LIMITED

Statement of Source and Application of Funds

	<i>3 months ended November 30, 1968</i>	<i>6 months ended February 28, 1969</i>	<i>6 months ended February 29, 1968</i>
Source of Funds:			
Net earnings for period	\$ 21,147	\$ 108,932	\$ 175,207
Non- cash items included in earnings			
Provision for depreciation	59,350	151,761	86,800
Amortization of organization and issue expense	1,270	2,549	1,660
	<u>\$ 81,767</u>	<u>\$ 263,242</u>	<u>\$ 263,667</u>
Issuance of common shares:			
100,000 shares as partial payment for net assets of Multimatic Investments Limited	—	1,200,000	—
3,000 shares for net assets of Motor Specialty Mfrs. (Ontario) Ltd.	—	—	19,677
Deferred income tax of Multimatic Investments Limited	—	103,350	—
Long term debt of Multimatic Investments Limited	—	250,690	—
Minority interest	—	219,909	—
Repayment of mortgage receivable	500	1,000	1,000
Proceeds on issue of 6½% convertible debenture	—	—	1,919,790
Industrial Development Bank loan	—	—	77,000
Capital assistance loan	—	—	108,787
	<u>\$ 82,267</u>	<u>\$2,038,191</u>	<u>\$2,389,921</u>
Application of Funds:			
Goodwill on purchase of Multimatic Investments Limited	—	\$1,369,436	—
Addition to fixed assets (net)	\$ 25,631	1,235,191	\$ 791,583
Retirement of long term debt	41,765	58,049	550,000
Sinking fund for redemption of preference shares	—	4,290	—
Premium on retirement of long term debt	—	—	21,240
Dividends:			
Common	8,825	20,145	17,500
Preference	3,481	6,815	7,060
	<u>\$ 79,702</u>	<u>\$2,693,926</u>	<u>\$1,387,383</u>
Increase (decrease) in working capital	\$ 2,565	\$ (655,735)	\$1,002,538
Working capital, September 1	2,022,560	2,022,560	1,003,013
Working capital at end of period	<u>\$2,025,125</u>	<u>\$1,366,825</u>	<u>\$2,005,551</u>